

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 ARAE-00 CIAE-00

DODE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01 XMB-02

IGA-01 IO-10 SIL-01 LAB-04 PM-03 /088 W

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P R 251317Z JUL 75

FM AMEMBASSY BUENOS AIRES

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C O N F I D E N T I A L BUENOS AIRES 5003

E.O. 11652: GDS

TAGS: EGEN, EINV, AR

SUBJECT: VIEWPOINT OF US BUSINESS COMMUNITY ON PRESENT CRISIS

1. LATEST MEETING WITH MEMBERS OF US CHAMBER OF COMMERCE AND
US BUSINESS COMMUNITY YIELDED SOME INSIGHTS WORTH PASSING ON.

2. THE CONSENSUS SEEMED TO BE THAT POLITICAL STRUGGLE FOR POWER
NOT YET RESOLVED HERE, THOUGH AT MOMENT CGT APPEARS TO BE PLAY-
ING DOMINANT ROLE. CONSIDERABLE UNCERTAINTY STILL PREVAILS
ABOUT CHANCES FOR SURVIVAL OF GOVERNMENT ON PRESENT FORM.

3. ARGENTINA ALREADY HAS ENTERED INTO RECESSION PROVOKED BY
LIQUIDITY SQUEEZE, IMPORT SHORTAGES, PRODUCTION PROBLEMS, ETC.

4. FOREIGN EXCHANGE CRISIS IS PARTICULARLY SERIOUS. THERE
IS SOME DOUBT AS TO THE GOA'S ABILITY TO PAY FOR EVEN ESSENTIAL
IMPORTS OVER THE NEXT FEW MONTHS. SOME BELIEVE ARGENTINA MAY
BE FORCED TO ASK FOR A PAYMENTS MORATORIUM.

5. CGT ECONOMIC PROGRAM PRESENTED TO PRESIDENT ON JULY 21,
WHILE QUITE RADICAL, DOES NOT IN FACT, REPRESENT ULTIMATUM
ON THE PART OF CGT, AND, IN FACT, IS PROBABLY UNIMPLEMENTABLE
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AT THIS TIME.

6. LIQUIDITY SQUEEZE IS PRESENTLY THE OVERRIDING PROBLEM FOR BOTH FOREIGN AND ARGENTINE BUSINESSES IN ARGENTINA. MANY FIRMS WILL HAVE DIFFICULTY EVEN MEETING PAYROLLS WITHOUT FURTHER EXPANSION OF BANK CREDIT.

7. DESPITE PRONOUNCEMENTS BY VARIOUS POLITICAL AND OTHER PRESSURE GROUPS HOSTILE TO FOREIGN BUSINESS, AMERICAN BUSINESS COMMUNITY DOES NOT EXPECT BACKLASH OF SIGNIFICANT PROPORTIONS AT THIS TIME.

8. NEW MINISTER OF ECONOMY, DR. PEDRO JOSE BONANNI, IS SEEN AS MODERATE PERONIST OF THE SAME PERSUASION AS FORMER MINISTER OF ECONOMY ALFREDO GOMEZ MORALES, ALTHOUGH BONANNI DOES NOT HAVE THE CONFIDENCE OF THE BUSINESS COMMUNITY TO THE SAME EXTENT THAT GOMEZ MORALES DID.

9. IT IS ANTICIPATED THAT LABOR UNIONS WILL CONTINUE TO PUT UPWARD PRESSURE ON WAGES IN THEIR ATTEMPTS TO VIE WITH EACH OTHER OVER WAGE INCREASES OBTAINED FOR THEIR MEMBERSHIP.

10. COMMENT: ATTITUDES OF THIS GROUP OF BUSINESSMEN REFLECT DEEP CONCERN OVER ECONOMIC AND POLITICAL SITUATION IN ARGENTINA TODAY. WE DON'T THINK THESE CONCERNS ARE EXAGGERATED.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, LABOR UNIONS, POLITICAL SITUATION
Control Number: n/a
Copy: SINGLE
Draft Date: 25 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BUENOS05003
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750257-0464
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750719/aaaaaqio.tel
Line Count: 86
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 23 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 SEP 2003 by SmithRJ>; APPROVED <07 OCT 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VIEWPOINT OF US BUSINESS COMMUNITY ON PRESENT CRISIS
TAGS: EGEN, EINV, AR
To: STATE COM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006